

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT FILED BY §  
ATMOS ENERGY CORP., WEST §  
TEXAS DIVISION TO CHANGE GAS § GAS UTILITIES DOCKET No. 10084  
RATES IN THE UNINCORPORATED §  
AREAS OF THE LUBBOCK RATE §  
DIVISION**

**FINAL ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Ann. Chap 551, *et seq.* (Vernon 2004 & Supp. 2010). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

1. Atmos Energy Corp., West Texas Division, ("Atmos") is a gas utility as that term is defined in the Texas Utility Code.
2. On June 8, 2011, Atmos filed a Statement of Intent to change rates in the unincorporated areas of the Lubbock Rate Division.
3. Notice of the proposed increase was provided by bill insert.
4. Staff of the Railroad Commission of Texas ("Staff") intervened in this proceeding.
5. The parties have reached a *Unanimous Settlement Agreement* and it is attached to this Final Order as, Exhibit 1.
6. As set out in paragraph 8 of the *Unanimous Settlement Agreement* the investments included in GUD Nos. 9609, 9692, 9772, 9834, 9876, 9955, and 10061 are hereby approved and shall not be subject to any further review for prudence in any subsequent proceeding.
7. Consistent with paragraph 17 of the *Unanimous Settlement Agreement* the approval of investments included in GUD Nos. 9609, 9692, 9772, 9834, 9876, 9955, and 10061, or any other particular component of the company's cost of service, shall not be considered binding or precedential in any subsequent proceeding.

8. To the extent that the expenses of Blueflame Insurance, an affiliate of Atmos, are included in the calculation of the company's overall revenue requirement the record in this proceeding establishes that those expenses are reasonable and necessary for the provision of natural gas service provided by the company.
9. The price charged to Atmos by Blueflame is not higher than the price charged by Blueflame to its other affiliates or divisions or to a nonaffiliated person for insurance.
10. Based upon the record in this proceeding, the *Unanimous Settlement Agreement* is just and reasonable.

### CONCLUSIONS OF LAW

1. Atmos Energy Corp., West Texas Division, ("Atmos") is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon Supp. 2010) and §121.001(Vernon 2007) and is therefore subject to the jurisdiction of the Railroad Commission (Commission) of Texas.
2. The Commission has jurisdiction over Atmos and Atmos' Statement of Intent under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2009), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This proceeding was conducted in accordance with the requirements of the Gas Utility regulatory Act ("GURA"), and the Administrative Procedure Act, Tex. Gov't Code ANN. §§2001.001-2001.902 (Vernon 2008 and Supp. 2010) ("APA").
5. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007).

**IT IS THEREFORE ORDERED** that the *Unanimous Settlement Agreement* of Atmos and Staff is **HEREBY** approved and adopted.

**IT IS FURTHER ORDERED** that the entry of this Order consistent with the *Unanimous Settlement Agreement* does not indicate the Commission's endorsement of any principle or method that may underlie the *Unanimous Settlement Agreement*. Neither should entry of this Order be regarded as precedent as to the appropriateness of any principle or methodology underlying the *Unanimous Settlement Agreement*.

**SIGNED** this 8th day of November, 2011.

**RAILROAD COMMISSION OF TEXAS**

  
\_\_\_\_\_  
**CHAIRMAN ELIZABETH AMES JONES**

  
\_\_\_\_\_  
**COMMISSIONER DAVID PORTER**

  
\_\_\_\_\_  
**COMMISSIONER BARRY T. SMITHERMAN**

**ATTEST:**

  
\_\_\_\_\_  
**SECRETARY**



**ATMOS ENERGY CORP., WEST  
TEXAS DIVISION STATEMENT OF  
INTENT TO CHANGE GAS RATES IN  
THE UNINCORPORATED AREA OF  
THE LUBBOCK RATE DIVISION**

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**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

OFFICE OF COUNSEL  
RAILROAD COMMISSION  
OF TEXAS

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**UNANIMOUS SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into by and between the parties of record in GUD No. 10084, Atmos Energy Corp., West Texas Division ("Atmos" or "the Company") and the Staff of the Railroad Commission of Texas ("Staff").

WHEREAS, the Settlement Agreement resolves all issues relating to the Company's Statement of Intent to Change Gas Rates in the Unincorporated Area of the Lubbock Rate Division filed on June 8, 2011, in a manner that Atmos and Staff ("the Signatories") believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Signatories believe that a fully contested hearing in the case would be time-consuming and entail substantial additional expense for all parties and that the public interest will be served by adoption of an order consistent with the Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Railroad Commission of Texas ("Commission") the following Settlement Terms as a means of fully resolving all issues raised in the June 8, 2011 Statement of Intent filed by Atmos on behalf of its Lubbock Rate Division:

**Settlement Terms**

1. The Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow Atmos \$40,683 less in annual revenue by implementation of rates as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement. The Signatories further agree that the rates, terms, and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.
2. The Signatories agree that Atmos' weighted average cost of debt is 6.87% and that an overall rate of return for Atmos of 8.72% is reasonable.
3. The Signatories agree that the depreciation rates approved by the Commission in GUD No. 10041 for the Company's West Texas Division remain reasonable and shall be used in any Interim Rate Adjustment ("IRA") filing made pursuant to Texas Utilities Code § 104.301 until changed by a subsequent rate proceeding.
4. The Signatories agree that Atmos' proposal to revise Rider GCA to provide for the recovery of uncollectible gas cost is reasonable and should be approved.

5. The Signatories agree that Atmos' proposed Rider WNA is reasonable and should be applicable to state institution customers.
6. The Signatories agree that the use of 10-year data is reasonable for purposes of establishing normal weather and that it is reasonable to account for deviations during the test year from normal weather patterns by performing weather normalization adjustments.
7. The Signatories agree that any IRA filing in the Company's West Texas Division made pursuant to Texas Utilities Code §104.301 shall use the following factors until changed by a subsequent rate proceeding:
  - The weighted average cost of debt and rate of return identified in paragraph 2 of this Settlement Agreement;
  - An overall depreciation rate of 4.23%. The depreciation rates for each applicable FERC account are shown in Exhibit C to this Settlement Agreement;
  - The invested capital amount of \$76,915,658 shall be used as the baseline investment for use in calculating the first IRA adjustment following the issuance of a Final Order in this proceeding;
  - A federal income tax factor of 35%;
  - The average use per month per customer class in order to determine the current and proposed bill information in future IRA filings is as follows: Residential at 65 Ccf, Commercial at 168 Ccf, Industrial at 3,246, Public Authority at 1,921 and State Institution at 1,901 Ccf; and
  - The base rate revenue allocation factors to be used to calculate the cost of changes in investment to be recovered from the appropriate customer classes are as follows:

<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Pub. Authority</b>	<b>State Institution</b>
77.41%	18.07%	1.87%	1.97%	0.68%

8. Except for the adjustments made in paragraph 9, 10, and 11 of this Settlement Agreement, the Signatories agree that the capital investments included in the GUD 9609, GUD 9692, GUD 9772, GUD 9834, GUD 9876, GUD 9955, and GUD 10061 interim rate adjustment filings considered in this proceeding were just and reasonable and the capital investment included in the cost of service proposed in this proceeding is just and reasonable.
9. Consistent with the Commission's Final Order in GUD No. 10000, *Statement of Intent to Change the Rate CGS and Rate PT of Atmos Pipeline – Texas*, the Signatories agree that it is reasonable to reconcile *ad valorem* tax estimates included in Atmos' GUD 9609, GUD 9692, GUD 9772, GUD 9834, GUD 9876, GUD 9955, and GUD 10061 interim rate adjustment filings to actual *ad valorem* tax expense and that a total one-time refund of \$6,451 or approximately \$1.34 per customer shown on Exhibit D should be made to the customers currently residing in the unincorporated areas of the Lubbock rate division.
10. The Signatories agree that the removal of \$14,594 from the Rate Base in this proceeding for the Mississippi complex billing project (SSU project 010.11279) is reasonable.
11. Consistent with the Commission's Final Order in GUD No. 10000, *Statement of Intent to Change the Rate CGS and Rate PT of Atmos Pipeline – Texas*, the Signatories agree that it is reasonable to make an adjustment to exclude per person meal expense over \$25 and

per night lodging expense over \$150 (exclusive of taxes) from capitalized expenses and operations and maintenance expense used to calculate the cost of service in this proceeding, and that Atmos' Cost of Service should be increased by \$5,665.

12. The Signatories agree that the Earnings Monitoring Reports that were filed with the interim rate adjustments referenced in Finding of Fact No. 8 above were properly filed by Atmos.
13. The Signatories agree that the allocations of Shared Services included in the interim rate adjustments referenced in Finding of Fact No. 8 above and considered in this proceeding were just and reasonable.
14. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.
15. The Signatories agree that all negotiations, discussions and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the June 8, 2011 Statement of Intent filed by Atmos on behalf of its Lubbock Rate Division pursuant to Texas law.
16. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order implementing this Settlement Agreement.
17. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
18. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 30<sup>th</sup> day of September, 2011.

ATMOS ENERGY CORP, WEST TEXAS DIVISION

By: Jeffrey Foley  
Jeffrey Foley  
Vice President of Rates and Regulatory Affairs  
West Texas Division of Atmos Energy Corporation

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: John Griffin  
John Griffin  
Attorney for Staff of the Railroad Commission of Texas

<b>RATE SCHEDULE:</b>	<b>RESIDENTIAL GAS SERVICE</b>	
<b>APPLICABLE TO:</b>	<b>LUBBOCK SERVICE AREA – Outside City Limits (OCL)</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 07/12/2011</b>	<b>PAGE:</b>

**Availability**

This schedule is applicable to general use by Residential customers for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

**Monthly Rate**

<b>Charge</b>	<b>Amount</b>
Customer Charge	\$ 13.50
Commodity Charge	
All Consumption	\$ 0.08395 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

The West Texas Division Weather Normalization Adjustment Rider applies to this schedule.

<b>RATE SCHEDULE:</b>	<b>COMMERCIAL GAS SERVICE</b>	
<b>APPLICABLE TO:</b>	<b>LUBBOCK SERVICE AREA – Outside City Limits (OCL)</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 07/12/2011</b>	<b>PAGE:</b>

**Availability**

This schedule is applicable to Commercial customers, including hospitals and churches, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

**Monthly Rate**

<b>Charge</b>	<b>Amount</b>
Customer Charge	\$ 27.00
Commodity Charge	
All Consumption	\$ 0.08431 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

The West Texas Division Weather Normalization Adjustment Rider applies to this schedule.

<b>RATE SCHEDULE:</b>	<b>INDUSTRIAL GAS SERVICE</b>	
<b>APPLICABLE TO:</b>	<b>LUBBOCK SERVICE AREA – Outside City Limits (OCL)</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 07/12/2011</b>	<b>PAGE:</b>

**Availability**

This schedule is applicable to the sales of any industrial or commercial customer whose predominant use of natural gas is other than space heating, cooking, water heating or other similar type uses. Service under this schedule is available to eligible customers following execution of a contract specifying the maximum hourly load. This schedule is not available for service to premises with an alternative supply of natural gas.

**Monthly Rate**

<b>Charge</b>	<b>Amount</b>
Customer Charge	\$ 220.00
Commodity Charge	
All Consumption	\$ 0.07152 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

<b>RATE SCHEDULE:</b>	<b>PUBLIC AUTHORITY GAS SERVICE</b>	
<b>APPLICABLE TO:</b>	<b>LUBBOCK SERVICE AREA – Outside City Limits (OCL)</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 07/12/2011</b>	<b>PAGE:</b>

**Availability**

This schedule is applicable to general use by Public Authority type customers, including public schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available to premises with an alternative supply of natural gas.

**Monthly Rate**

<b>Charge</b>	<b>Amount</b>
Customer Charge	\$ 100.00
Commodity Charge	
All Consumption	\$ 0.09612 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

The West Texas Division Weather Normalization Adjustment Rider applies to this schedule.

<b>RATE SCHEDULE:</b>	<b>STATE INSTITUTION GAS SERVICE</b>	
<b>APPLICABLE TO:</b>	<b>LUBBOCK SERVICE AREA – Outside City Limits (OCL)</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 07/12/2011</b>	<b>PAGE:</b>

**Availability**

This schedule is applicable to general use by State Institution type customers, including public schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available to premises with an alternative supply of natural gas.

**Monthly Rate**

<b>Charge</b>	<b>Amount</b>
Customer Charge	\$ 95.00
Commodity Charge	
All Consumption	\$ 0.07634 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

The West Texas Division Weather Normalization Adjustment Rider applies to this schedule.

<b>RATE SCHEDULE:</b>	<b>WEST TEXAS DIVISION GAS COST ADJUSTMENT (GCA) RIDER</b>	
<b>APPLICABLE TO:</b>	<b>ALL SERVICE AREAS IN THE WEST TEXAS DIVISION</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 07/12/2011</b>	<b>PAGE:</b>

Application

Gas bills issued under rate schedules to which this Rider applies will include adjustments to reflect decreases or increases in purchased gas costs or taxes. Accumulated Deferred Gas Costs shall also be adjusted for gas cost amounts which are uncollectible. Any such adjustments shall be filed with the appropriate regulatory authority before the beginning of the month in which the adjustment will be applied to bills. The amount of each adjustment shall be computed as follows:

Gas Cost Adjustment (GCA)

The GCA to be applied to each Ccf billed shall be computed as follows and rounded to the nearest \$0.01:

$$GCA = (G/S + CF) \times TF$$

Where:

1. "G", in dollars, is the expected cost of gas for the expected sales billings units.
2. "S", in Ccf as measured at local atmospheric pressure, is the expected sales billing units to be billed to customers in the respective section of the Company's Amarillo and West Texas Service Area.
3. "CF", in \$/Ccf as measured at local atmospheric pressure, is the correction factor charge per Ccf to adjust for the cumulative monthly difference between the cost of gas purchased by the Company and the amount of gas cost billed to the customer plus any gas cost which is uncollectible.

More specifically, CF shall be calculated as follows:

$$CF = (a/b) + (c/b)$$

a = over (under) collection dollar amount for the 12 month period ending September.

b = expected estimated sales volumes for the future 12 month period ending November.

c = net uncollectible gas cost, that is:

(uncollectible gas cost for the previous 12 months ended September) – (subsequently collected gas cost for the previous 12 months ended September)

Once a year, on a 12 months ended September basis, the Company shall review the percentage of lost and unaccounted for gas. If this percentage exceeds 5% of the amount metered in, the correcting account balance will be reduced so that the customer will effectively be charged a maximum of 5% for lost and unaccounted for gas and the Company will absorb the excess.

4. "TF" is the tax factor. The tax factor for all unincorporated areas is 1. For incorporated areas the tax factor for each service area is calculated as:  $1 / [1 - (SGR + FFR)]$  where SGR = the applicable state gross receipts rate imposed by sections 182-021 – 182-025 of the Texas Tax Code that is not otherwise collected by a separate rider and where FFR = the applicable franchise fee rate per city ordinance that is not otherwise collected by a separate rider.

RATE SCHEDULE:	WEST TEXAS DIVISION WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER	
APPLICABLE TO:	ALL SERVICE AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:	Bills Rendered on and after 07/12/2011	PAGE:

Provision for Adjustment

The base rate per Ccf (100,000 Btu) for gas service set forth in any Rate Schedules utilized in all cities in the West Texas Division or their environs for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment". The Weather Normalization Adjustment shall apply to all temperature sensitive residential, commercial, public authority, and state institution bills based on meters read during the revenue months of October through May.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

WNAF	i	$= \frac{R_i (HSF_i (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$
Where	i	= any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
WNAF	i	= Weather Normalization Adjustment Factor for the i <sup>th</sup> rate schedule or classification expressed in cents per Ccf
R	i	= base rate of temperature sensitive sales for the i <sup>th</sup> schedule or classification utilized
HSF	i	= heat sensitive factor for the i <sup>th</sup> schedule or classification divided by the average bill count in that class
NDD	i	= billing cycle normal heating degree days
ADD	i	= billing cycle actual heating degree days
BL	i	= base load sales for the i <sup>th</sup> schedule or Classification divided by the average bill count in that class

The Weather Normalization Adjustment for the j<sup>th</sup> customer in i<sup>th</sup> rate schedule is computed as:

WNA	i	WNAF i x qii Where qii is the relevant sales quantity for the j <sup>th</sup> Customer in i <sup>th</sup> rate schedule
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# Atmos Energy

## LUBBOCK DISTRIBUTION SYSTEM-UNINCORPORATED

### REVENUE COMPARISON

	REVENUE AT PROPOSED RATES	CCF	REVENUE AT PRESENT RATES	Customers	DIFFERENCE AMOUNT	%
RESIDENTIAL	\$2,853,718	3,507,861	\$2,889,179	4,507	(\$35,460)	-1.23%
COMMERCIAL	\$479,418	625,141	\$482,482	311	(\$3,063)	-0.63%
INDUSTRIAL	\$102,954	155,824	\$103,874	4	(\$920)	-0.89%
STATE AGENCY	\$231,599	357,548	\$234,781	16	(\$3,182)	-1.36%
PUBLIC AUTHORITY	\$220,533	329,356	\$218,591	14	\$1,942	0.89%
	\$3,888,222	4,975,730	\$3,928,906	4,852	(\$40,683)	-1.04%

	IMPACT ON MARGIN (EXCLUDING GAS COST)	
RESIDENTIAL	\$1,024,661	\$1,060,121 (\$35,460) -3.345%
COMMERCIAL	\$153,459	\$156,523 (\$3,063) -1.957%
INDUSTRIAL	\$21,705	\$22,624 (\$920) -4.065%
STATE AGENCY	\$45,167	\$48,350 (\$3,182) -6.581%
PUBLIC AUTHORITY	\$48,801	\$46,860 \$1,942 4.144%
Total	\$1,293,794	\$1,334,477 (\$40,683) -3.05%

## Lubbock Distribution System

**Exhibit B**  
**Page 2 of 11**

## Lubbock Distribution System

**Exhibit B**  
**Page 3 of 11**

**Exhibit B**  
**Page 4 of 11**

	\$	(920)
<b>Proposed Revenue Increase</b>		

[illegible]

**Proposed Revenue Increase** **\$ (3,182)**

**ATMOS ENERGY CORPORATION**  
**LUBBOCK ENVIRONS STATEMENT OF INTENT**  
**COST OF SERVICE SCHEDULES AND WORKPAPERS**  
**SUMMARY PROOF OF REVENUE AT CURRENT RATES**  
**TWELVE MONTHS ENDED DECEMBER 31, 2010**

Line	Description (a)	Total (b)	Reference (c)
<b>Residential</b>			
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$13.33	Tariff- excluding True-Up
3	Consumption Charge (\$/Ccf)	\$ 0.09668	Tariff- excluding True-Up
4			
5	<u>Billing Units:</u>		
6	Bills	802,088	Billing Determinants Study
7	Total Ccf	41,571,457	Billing Determinants Study
8			
9	<u>Present Revenue:</u>		
10	Customer Charge	\$ 10,691,833	Ln 2 times Ln 6
11	Consumption Charge	4,019,128	Ln 3 times Ln 7
12	Base Revenue	\$ 14,710,962	Sum of Ln 10 through Ln 11
13			
14			
15			
16	<b>Commercial</b>		
17	<u>Rate Characteristics:</u>		
18	Customer Charge	\$26.03	Tariff- excluding True-Up
19	Consumption Charge (\$/Ccf)	\$ 0.09500	Tariff- excluding True-Up
20			
21	<u>Billing Units:</u>		
22	Bills	71,988	Billing Determinants Study
23	Total Ccf	16,584,076	Billing Determinants Study
24			
25	<u>Present Revenue:</u>		
26	Customer Charge	\$ 1,873,848	Ln 18 times Ln 22
27	Consumption Charge	1,575,487	Ln 19 times Ln 23
28	Base Revenue	\$ 3,449,335	Sum of Ln 26 through Ln 27
29			
30			

ATMOS ENERGY CORPORATION  
LUBBOCK ENVIRONS STATEMENT OF INTENT  
COST OF SERVICE SCHEDULES AND WORKPAPERS  
SUMMARY PROOF OF REVENUE AT CURRENT RATES  
TWELVE MONTHS ENDED DECEMBER 31, 2010

Line	Description (a)	Total (b)	Reference (c)
31	Industrial		
32	Rate Characteristics:		
33	Customer Charge	\$216.77	Tariff- excluding True-Up
34	Consumption Charge (\$/Ccf)		
35	0-1000 Ccf	\$ 0.09650	Tariff- excluding True-Up
36	Over 1000 Ccf	\$ 0.07500	Tariff- excluding True-Up
37			
38			
39	Billing Units:		
40	Bills	669	Billing Determinants Study
41	Total Ccf	442,940	Billing Determinants Study
42	0-1000 Ccf	2,344,437	
43	Over 1000 Ccf	2,787,377	
44	Total Ccf		
45			
46	Present Revenue:		
47	Customer Charge	\$ 145,019	Ln 34 times Ln 41
48	Consumption Charge	42,744	Ln 37 times Ln 43
49	0-1000 Ccf	175,833	Ln 38 times Ln 44
50	Over 1000 Ccf	363,596	Sum of Ln 48 through Ln 51
51	Base Revenue		
52			
53			

**ATMOS ENERGY CORPORATION**  
**LUBBOCK ENVIRONS STATEMENT OF INTENT**  
**COST OF SERVICE SCHEDULES AND WORKPAPERS**  
**SUMMARY PROOF OF REVENUE AT CURRENT RATES**  
**TWELVE MONTHS ENDED DECEMBER 31, 2010**

Line	Description (a)	Total (b)	Reference (c)
54			
55			
56	Public Authority		
57	<u>Rate Characteristics:</u>		
58	Customer Charge	\$98.51	Tariff- excluding True-Up
59	Consumption Charge (\$/Ccf)	\$ 0.09100	Tariff- excluding True-Up
60			
61	<u>Billing Units:</u>		
62	Bills	1,732	Billing Determinants Study
63	Total Ccf	1,979,465	Billing Determinants Study
64			
65	<u>Present Revenue:</u>		
66	Customer Charge	\$ 170,619	Ln 58 times Ln 62
67	Consumption Charge	180,131	Ln 59 times Ln 63
68	Base Revenue	\$ 350,751	Sum of Ln 66 through Ln 67
69			
70			
71	State		
72			
73	<u>Rate Characteristics:</u>		
74	Customer Charge	\$92.70	Tariff- excluding True-Up
75	Consumption Charge (\$/Ccf)	\$ 0.08645	Tariff- excluding True-Up
76			
77	<u>Billing Units (1):</u>		
78	Bills	648	Billing Determinants Study
79	Total Ccf	838,293	Billing Determinants Study
80			
81	<u>Present Revenue:</u>		
82	Customer Charge	\$ 60,070	Ln 74 times Ln 78
83	Consumption Charge	72,470	Ln 75 times Ln 79
84	Base Revenue	\$ 132,540	Sum of Ln 82 through Ln 83

**Atmos Energy Corporation - Lubbock Environs  
Class Cost of Service Study  
For the test year ended December 31, 2010**

### Schedule THP-CCOS

### **SUMMARY - with Test Year Normalized Revenues**

Line No.	Description	Lubbock Environs	Residential	Commercial	Industrial	Public Authority	State Institutions
1	Margin with test year rates, as filed	\$20,289,359	\$15,717,717	\$3,870,737	\$383,837	\$377,511	\$139,757
2	O&M Expense	7,120,837	5,709,313	1,150,769	87,313	142,317	30,925
3	Depreciation & Amort	4,627,383	3,640,352	798,724	63,864	103,771	22,871
4	Taxes Other than Income Tax	823,231	650,528	139,716	11,039	17,994	3,954
5	Interest on Customer Deposits	4,530	2,751	1,779	-	-	-
6	State-Margin Tax	201,595	156,171	36,472	3,812	3,751	1,389
7	Income Tax	1,940,850	1,402,026	425,025	66,419	22,499	24,682
8							
9	Return at test year rates	\$5,571,334	\$4,156,577	\$1,120,251	\$151,390	\$87,179	\$55,938
10							
11	Rate Base	\$80,067,919	\$47,413,099	\$10,104,142	\$856,180	\$1,366,097	\$308,401
12							
13	ROR at test year rates	9.3%	8.8%	11.1%	17.7%	6.3%	18.1%

### SUMMARY - with Proposed Proforma Revenue

		Lubbock Environ	SUMMARY - with Proposed Return Revenue				
			Residential	Commercial	Industrial	Public Authority	State Institutions
14	Margin with test year rates, as filed	\$20,289,359	\$15,717,717	\$3,870,737	\$383,837	\$377,511	\$139,767
15	Revenue Increase with Proposed Rates	(511,583)	(408,984)	(87,173)	(13,076)	11,152	(5,501)
16	Proforma Margin with Proposed Rates	19,777,776	15,310,733	3,573,563	370,861	388,663	134,256
17	O&M Expense	7,126,262	5,716,478	1,149,804	87,112	142,003	30,865
18	Depreciation & Amort	4,627,383	3,640,352	796,724	63,864	103,771	22,871
19	Taxes Other than Income Tax	823,231	650,528	139,716	11,039	17,994	3,954
20	Interest on Customer Deposits	4,530	2,751	1,779	-	-	-
21	State Margin Tax (proposed)	196,479	152,101	35,501	3,881	3,882	1,334
22	Income Tax (proposed)	1,761,418	1,258,498	391,893	61,858	26,473	22,796
23							
24	Return at Proposed Rates	\$5,238,474	3,890,025	1,058,347	143,108	94,559	52,437
25							
26	Rate Base (proposed)	\$80,067,919	\$47,413,099	\$10,104,142	\$856,180	\$1,386,097	\$308,401
27							
28	ROR by class per Proposed Rates	8.72%	8.2%	10.5%	16.7%	6.8%	17.0%

<b>29</b>	<b>Weighted Cost of Debt</b>	<b>3.28%</b>								<b>Factor</b>
<b>30</b>	<b>Federal Income Tax Rate</b>	<b>35.00%</b>								
<b>31</b>	<b>Interest Deduction</b>	\$ (1,967,270)	\$ (1,552,815)	\$ (330,918)	\$ (28,041)	\$ (45,396)	\$ (10,100)			RB
	<b>Bad Debt Expense, not incl In Purchased</b>									
<b>32</b>	<b>Gas Costs</b>	\$ 129,880	100,615	23,498	2,456	2,417	895			R

**Lubbock Distribution System  
Rate Design  
Test Year Ended December 31, 2010**

**Exhibit B  
Page 11 of 11**

**Atmos Energy Corporation  
West Texas Environs Statement of Intent  
Rate Design**

Revenue Requirements	19,777,677
Less: Other Revenues	<u>1,282,177</u>
Distribution Sales Revenues	18,495,500

Class Allocation (from Class Cost of Service):	Percent	Dollars
Residential	77.41%	14,318,074
Commercial	18.07%	3,341,874
Industrial	1.87%	346,536
Public Authority	1.97%	363,464
State Agency	0.68%	125,552
		18,495,500

Proposed Rates	Proposed Rate	Revenues	
Residential Customer Charge	\$ 13.50	10,828,188	
Residential Consumption Charge	\$ 0.08395	3,489,924	14,318,112
Commercial Customer Charge	\$ 27.00	1,943,676	
Commercial Consumption Charge	\$ 0.08431	1,398,203	3,341,879
Industrial Customer Charge	\$ 220.00	147,180	
Industrial Consumption Charge	\$ 0.07152	199,353	346,533
Public Authority Customer Charge	\$ 100.00	173,200	
Public Authority Consumption Charge	\$ 0.09612	190,266	363,466
State Agency Customer charge	\$ 95.00	61,560	
State Agency Consumption Charge	\$ 0.07634	63,995	125,555

**ATMOS ENERGY CORPORATION  
LUBBOCK ENVIRONS STATEMENT OF INTENT  
APPROVED DEPRECIATION RATES BY FERC ACCOUNT**

*\*The following depreciation rates are the same as those approved by GUD 10041.*

<b>Acct.</b>	<b>Description</b>	<b>Rate</b>
<b><u>Lubbock Direct:</u></b>		
<b><u>Distribution Plant</u></b>		
30200	Franch & Consent Grp	0.00%
37401	Land	0.00%
37402	Land Rights	1.56%
37500	Structures & Improvements	3.05%
37501	Struct. & Improv. - Frame	3.05%
37502	Struct. & Improv. - Land Rights	3.05%
37503	Struct. & Improv. - Improvements	3.05%
37600	Mains - Cathodic Protection	2.68%
37601	Mains - Steel	2.68%
37602	Mains - Plastic	2.68%
37800	M&R Station Equipment - General	2.65%
37900	M&R Station Equipment - City Gate	3.92%
38000	Services	3.55%
38100	Meters	5.97%
38200	Meter Installations	6.62%
38300	House Regulators	5.89%
38400	House Regulator Installations	5.54%
38500	Industrial M&R Station Equipment	4.04%
38600	Other Property on Customers' Premises	1.82%
38700	Other Equipment	4.15%
 <b><u>General Plant</u></b>		
38900	Land & Land Rights	0.00%
39004	Struct. & Improv. - Air Condition Equip.	3.36%
39009	Struct. & Improv. - Improv. to Leased Facilities	2.67%
39100	Office Furniture & Equipment	8.28%
39200	Transportation Equipment	3.10%
39300	Stores Equipment	2.86%
39400	Tools, Shop, and Garage Equipment	7.07%
39600	Power Operated Equipment	8.84%
39603	Power Op. Equip. - Ditchers	8.84%
39604	Power Op. Equip. - Backhoes	8.84%
39605	Power Op. Equip. - Welders	8.84%
39700	Communication Equipment	19.12%
39705	Comm. Eq. - Telemetry	19.12%
39800	Miscellaneous Equipment	10.45%
39906	Other Tangible Property-PC Hardware	19.62%

**ATMOS ENERGY CORPORATION  
LUBBOCK ENVIRONS STATEMENT OF INTENT  
APPROVED DEPRECIATION RATES BY FERC ACCOUNT**

*\*The following depreciation rates are the same as those approved by GUD 10041.*

<b>Acct.</b>	<b>Description</b>	<b>Rate</b>
39907	Other Tangible Property-PC Software	23.19%
39908	Other Tangible Property-Application Software	12.50%

**Texas Division General Office:**

**General Plant**

39009	Struct. & Improv. - Improv. to Leased Facilities	2.67%
39100	Office Furniture & Equipment	8.28%
39103	Office Furn. & Equip. - Office Machines	8.28%
39200	Transportation Equipment	3.10%
39400	Tools, Shop, and Garage Equipment	7.07%
39700	Communication Equipment	19.12%
39701	Communication Equip.	19.12%
39702	Comm. Eq. - Fixed Radio	19.12%
39705	Comm. Eq. - Telemetry	19.12%
39800	Miscellaneous Equipment	10.45%
39901	Other Tangible Property-Servers Hardware	18.62%
39902	Other Tangible Property-Servers Software	14.29%
39903	Other Tangible Property-Network-Hardware	14.29%
39905	Other Tangible Property-MF Hardware	20.00%
39906	Other Tangible Property-PC Hardware	19.62%
39907	Other Tangible Property-PC Software	23.19%
39908	Other Tangible Property-Application Software	12.50%

**SSU - General Office:**

**General Plant**

39000	Structures & Improvements	9.10%
39009	Improvements to Leased Premises	9.10%
39100	Office Furniture & Equipment	2.13%
39102	Remittance Processing Equipment	2.13%
39103	Office Furniture & Equipment	2.13%
39200	Transportation Equipment	10.32%
39300	Stores Equipment	10.32%
39400	Tools & Work Equipment	10.32%
39700	Communication Equipment - Telephone	8.45%
39800	Miscellaneous Equipment	8.15%
39900	Other Tangible Property	4.66%
39901	Other Tangible Property-Servers Hardware	6.95%
39902	Other Tangible Property-Servers Software	4.00%
39903	Other Tangible Property-Network-Hardware	9.30%
39904	Other Tangible Property-CPU	10.32%
39905	Other Tangible Property-MF Hardware	10.32%
39906	Other Tangible Property-PC Hardware	14.86%
39907	Other Tangible Property-PC Software	9.02%

**ATMOS ENERGY CORPORATION**  
**LUBBOCK ENVIRONS STATEMENT OF INTENT**  
**APPROVED DEPRECIATION RATES BY FERC ACCOUNT**

*\*The following depreciation rates are the same as those approved by GUD 10041.*

Acct.	Description	Rate
39908	Other Tangible Property-Application Software	11.11%
39909	Other Tangible Property-System Software	10.32%
39924	Other Tangible Property-GenStartupCost	15.89%

**SSU - General Office:**

**General Plant**

Greenville Data Center (010.11520)

39005	G-Structures & Improvements	9.10%
39104	G-Office Furniture & Equip.	2.13%

**SSU - Customer Support:**

**General Plant**

38900	Land & Land Rights	0.00%
39000	Structures & Improvements	9.10%
39009	Improvements to Leased Premises	9.10%
39100	Office Furniture & Equipment	2.13%
39102	Remittance Processing Equipment	2.13%
39103	Office Furniture & Equipment	2.13%
39200	Transportation Equipment	10.32%
39300	Stores Equipment	10.32%
39400	Tools & Work Equipment	10.32%
39700	Communication Equipment - Telephone	8.45%
39800	Miscellaneous Equipment	8.15%
39900	Other Tangible Property	4.66%
39901	Other Tangible Property-Servers Hardware	6.95%
39902	Other Tangible Property-Servers Software	4.00%
39903	Other Tangible Property-Network-Hardware	9.30%
39904	Other Tangible Property-CPU	10.32%
39905	Other Tangible Property-MF Hardware	10.32%
39906	Other Tangible Property-PC Hardware	14.86%
39907	Other Tangible Property-PC Software	9.02%
39908	Other Tangible Property-Application Software	11.11%
39909	Other Tangible Property-System Software	10.32%
39924	Other Tangible Property-GenStartupCost	15.89%

**SSU - Customer Support:**

**General Plant**

Charles K. Vaughn Center

38900	Land & Land Rights	0.00%
39010	Structures & Improvements	9.10%
39710	Communication Equipment	8.45%
39910	Other Tangible Equipment	4.66%
39916	PC Hardware	14.86%

**ATMOS ENERGY CORPORATION  
LUBBOCK ENVIRONS STATEMENT OF INTENT  
APPROVED DEPRECIATION RATES BY FERC ACCOUNT**

*\*The following depreciation rates are the same as those approved by GUD 10041.*

<b>Acct.</b>	<b>Description</b>	<b>Rate</b>
39917	PC Software	9.02%

Atmos Energy Corporation, West Texas Division  
Analysis of Ad-Valorem Tax Adjustment to Actual Taxes Paid  
Exhibit D

LUBBOCK - GUD 10084

	Actual Ad Valorem Taxes Paid	Net Plant Per GRIP Filing (a)	Actual Tax Factor	Incremental Investment (a)	Ad Valorem on Incremental Investment Actual	Ad Valorem on Incremental Investment Per Filing (a)	Over/ (Under) Collection	Interest	TOTAL ADJUSTMENT
GUD 10061	644,391	76,989,826	0.84%	5,038,420	42,171	61,469	19,298	11	19,310
GUD 9955	574,406	71,871,334	0.80%	3,683,546	29,439	44,939	15,500	50	15,550
GUD 9876	591,500	68,071,241	0.87%	4,052,466	35,214	49,440	14,226	200	14,427
GUD 9834	571,464	61,123,398	0.93%	7,656,273	71,581	93,407	21,826	508	22,334
GUD 9772	594,569	62,723,579	0.95%	3,505,809	33,232	41,018	7,786	467	8,252
GUD 9692									
GUD 9609	534,958	55,432,248	0.97%	7,357,694	71,007	86,024	15,017	2,303	17,320
							93,653	3,540	97,193
Total Customers for Lubbock System									72,712 (b)
Per Customer Adjustment									1.34
Total Customers in Unincorporated Areas									4,826 (b)
Total Unincorporated Over / (Under) Collection									6,451

NOTES:

(a) Per GRIP Filing IRA-3

(b) Per Billing Determinates Study submitted with GUD 10084